UNITED STATES DISTRICT COURT EASTERN DISTRICT OF TEXAS MARSHALL DIVISION

RMAIL LIMITED, et al.,

Plaintiffs,

v.

Civil Action No. 2:10-CV-258-JRG (Lead Case)

RIGHTSIGNATURE, LLC, FARMERS GROUP, INC., FARMERS INSURANCE COMPANY, INC.,

Civil Action No. 2:11-cv-300-JRG

Defendants.

REDACTED

DEFENDANT SHAREFILE, LLC'S F/K/A RIGHTSIGNATURE'S *DAUBERT* MOTION TO EXCLUDE TESTIMONY FROM KEITH UGONE'S EXPERT REPORT RELATING TO DAMAGES

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I. INTRODUCTION

Defendant ShareFile, LLC, formerly known as RightSignature, LLC ("RightSignature") brings this Daubert Motion to Exclude Certain Testimony from RMail Limited, et al.

("RPost's") Expert on damages, Dr. Keith Ugone. In his expert report, Dr. Ugone presents a damages framework built almost completely

Dr. Ugone

compounds this error by presenting a hypothetical negotiation in which the negotiating licensor was not a proper party to the negotiation. This is especially significant because Dr. Ugone relies heavily on

In fact, the proper parties to the negotiation are not alleged to have been competitors. Dr. Ugone makes an additional legal error when he includes non-infringing activity as part of the royalty base. Finally, Dr. Ugone provides an or any explanation of why the parties to the hypothetical negotiation would have assumed

Dr. Ugone's errors are not merely questions of credibility or how much weight to give to the evidence. To the contrary, Dr. Ugone takes legally erroneous principles and builds an entire damages model on those principles, thus inviting the jury to reach a damages verdict that is contrary to Federal Circuit law. Dr. Ugone's hypothetical negotiation and damages model should be excluded under Federal Rule of Evidence 702 and *Daubert v. Merrell Dow Pharms.*, *Inc.*, 509 U.S. 579 (1993).

II. FACTUAL BACKGROUND

There are four patents-in-suit. Because the patents-in-suit fit into two categories, they are discussed as two bundles: "the Feldbau patents" (U.S. Patent Nos. 6,182,219 ("the '219 patent") and 6,571,334 ("the '334 patent")) and "the Tomkow patents" (U.S. Patent Nos. 7,707,624 ("the '624 patent" and 7,966,372 ("the '372 patent"). Importantly, the two categories of patents were owned and invented by different entities and inventors.

A. The Feldbau Patents-in-Suit

The Feldbau patents are both titled "Apparatus and Method for Authenticating the Dispatch and Contents of Documents." On August 6, 2009, then-assignee Authentix assigned its interest in the '219 patent to RMail Limited. Exhibit 1 (assignment history of the '219 Patent).¹

Also on August 6, 2009, Authentix assigned its interest in the '334 patent to RMail Limited.

Exhibit 2 (assignment history of the '334 Patent).

Exhibit 2 (assignment history of the '334 Patent).

Exhibit 3 (Exhibit 6A to March 19, 2019 Dep. Tr. of Zafar Khan, Vol. 5).

B. The Tomkow Patents-in-Suit

RPost International Limited is the original assignee of the '624 patent and the '372 patent application. The '624 patent is titled "System for, and Method of, Proving the Transmission, Receipt and Content of a Reply to an Electronic Message." The Tomkow patents were assigned

Exhibit 3 (Exhibit 6A to Khan Vol. 5).

¹ Unless otherwise noted, all exhibits are attached to the Declaration of Jackob Ben-Ezra filed in support of this Motion.

to RPost International, Ltd. in April 2007. Exhibits 4, 5 (assignment histories of Tomkow patents). RPost International, Ltd. assigned the Tomkow patents to RPost Communications in March 2011. Exhibits 4, 5 (assignment histories of Tomkow patents).

C. The Rejected Propat Offers

During patent litigation from 2003-2005 regarding the '219 patent, a Magistrate Judge ordered then-plaintiff Propat International to make settlement offers to then- defendants RPost, Inc., RPost US, and RPost International, Ltd.. The RPost entities were the accused infringers in the litigation. Exhibit 6 at RPO 0011746-749, RPO 0012288-291, and RPO 0008005-006, respectively. *Id.* The Id. D. Dr. Ugone's Report Dr. Ugone offers a menu of damages, Exhibit 7 (Dr. Ugone's Damages Expert Report) (hereinafter "Ugone Report") at ¶ 15. He bases his royalty rates on an analysis of Ugone Report at ¶ 94. From this Dr. Ugone contemplates Ugone Report at ¶ 6. He maintains that the parties to those hypothetical negotiations would be Ugone Report at ¶1, n. 1. Dr. Ugone Ugone Report at ¶ 15.

III. LEGAL STANDARDS

Federal Rule of Evidence 702 allows a jury to hear expert testimony if it is based on "scientific, technical, or other specialized knowledge" by a qualified expert and if it "will help the trier of fact to understand the evidence or determine a fact in issue." Fed. R. Evid. 702. The Supreme Court has assigned "to the trial judge the task of ensuring that an expert's testimony both rests on a reliable foundation and is relevant to the task at hand." *Daubert*, 509 U.S. at 597.

A party proffering expert testimony has the burden to establish by a preponderance of the evidence that such testimony is sufficiently reliable. *See Daubert*, 509 U.S. at 592 n.10. To be admissible, expert testimony must be (1) based on sufficient facts or data; (2) the product of reliable principles and methods; and (3) an application of the principles and methods reliably to the facts. *See* Fed. R. Evid. 702; *Daubert*, 509 U.S. at 591-592. As "gatekeeper," the court must exclude expert testimony that "is irrelevant or does not result from the application of reliable methodologies or theories to the facts of the case." *Micro Chem., Inc. v. Lextron, Inc.*, 317 F.3d 1387, 1391 (Fed. Cir. 2003).

Experts' opinions on patent damages, like any other expert testimony, must be based on sound economic principles and reliable data in order to be admissible. *See Uniloc USA, Inc. v. Microsoft Corp.* 632 F.3d 1292 (Fed. Cir. 2011); *ResQNet.com Inc. v. Lansa, Inc.* 594 F.3d 860 (Fed. Cir. 2010); *Lucent Techs. v. Gateway*, 580 F.3d 1301 (Fed. Cir. 2009).

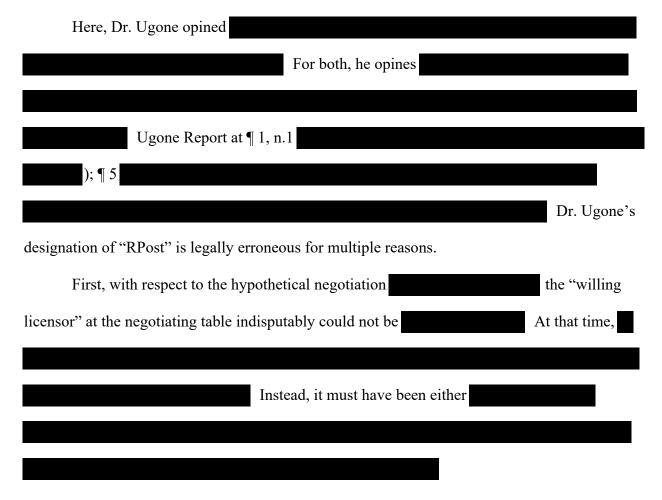
Additional, specific points of law are discussed in the relevant sections below.

IV. ARGUMENT

A. Dr. Ugone Analyzed the Incorrect Parties to the Hypothetical Negotiations

In his expert report, Dr. Ugone utilized a "hypothetical negotiation" approach to determining a reasonable royalty. *See* Ugone Report at ¶ 5. The hypothetical negotiation is a

"willing licensor-willing licensee" approach to ascertaining the royalty that would have been agreed upon at the time the alleged infringement began. *See Lucent Techs.*, 580 F.3d at 1324. The hypothetical negotiation analysis is an educated attempt, "as best as possible, to recreate the *ex ante* licensing negotiation scenario and to describe the resulting agreement." *Id.* at 1325. The identities and practices of the willing parties, therefore, are important considerations in this analysis because the parties' unique circumstances and characteristics, captured in part by the damages factors set forth in *Georgia-Pacific Corp. v. U.S. Plywood Corp.*, 318 F. Supp. 1116, 1120 (S.D.N.Y. 1970), provide contextual details for the hypothetical discussion and inform the licensing outcome.



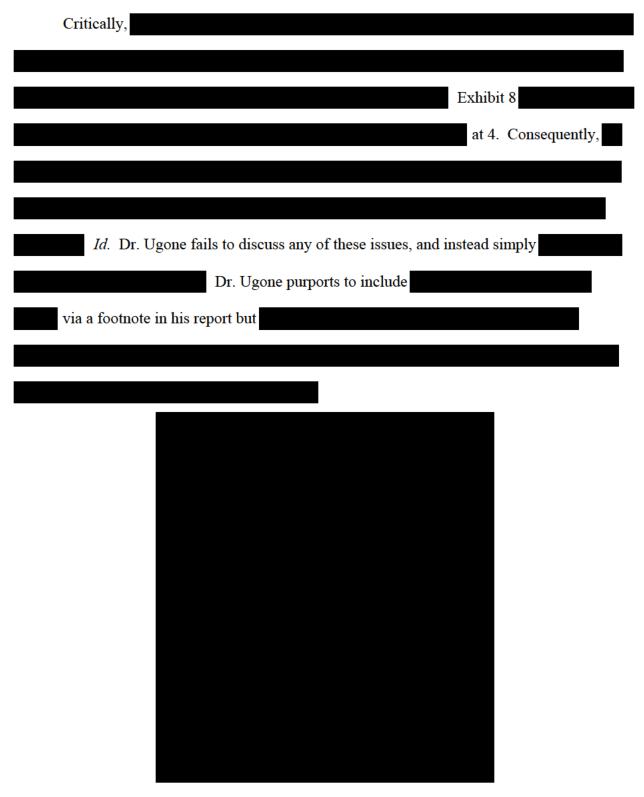
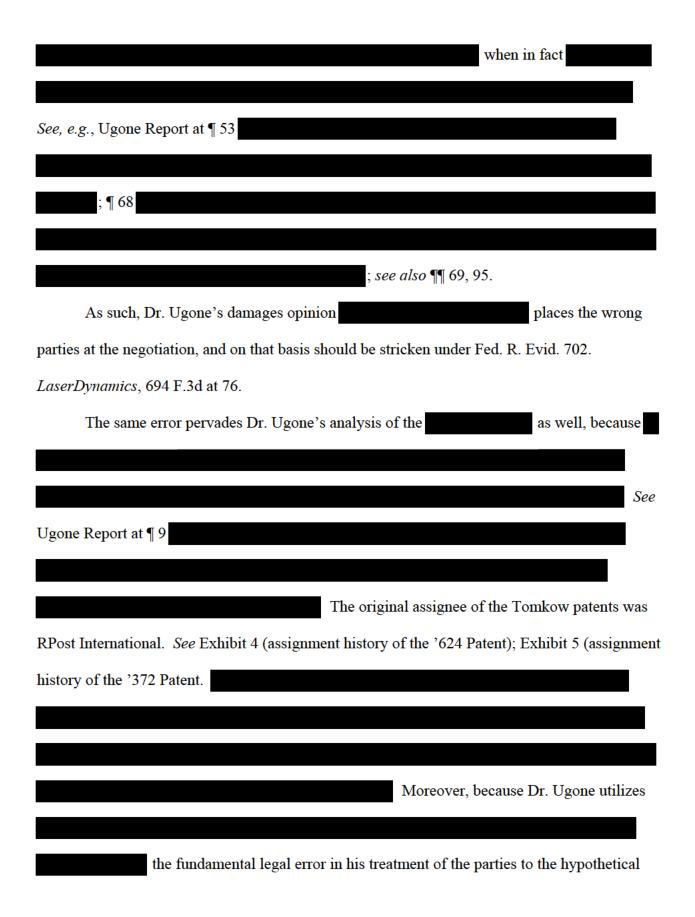


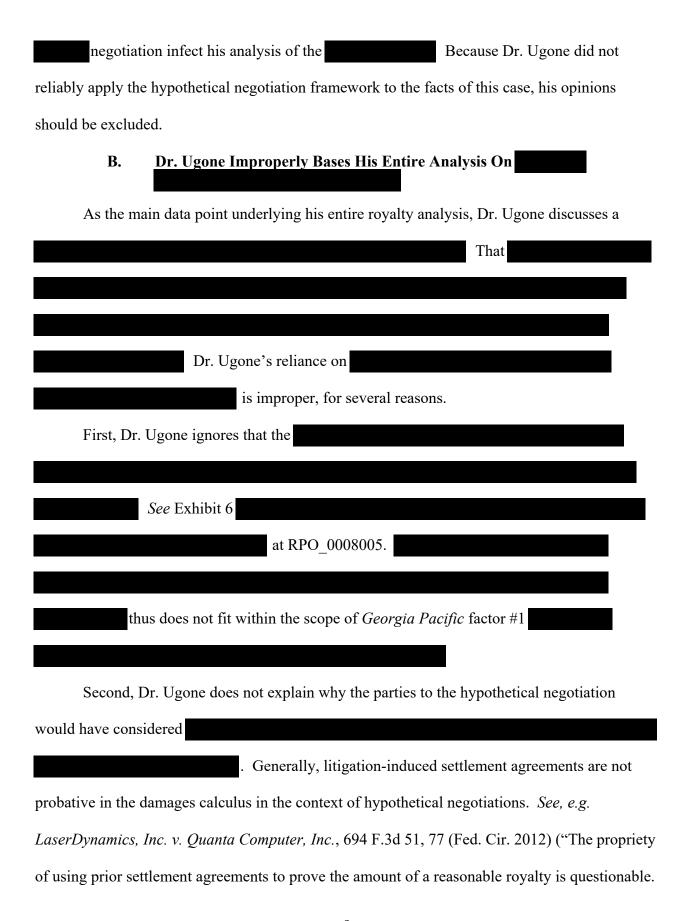
Figure 1 to Ugone Report. In failing to identify the correct entities at the hypothetical negotiation for the Feldbau patents, Dr. Ugone ignored the legal requirement to determine "the

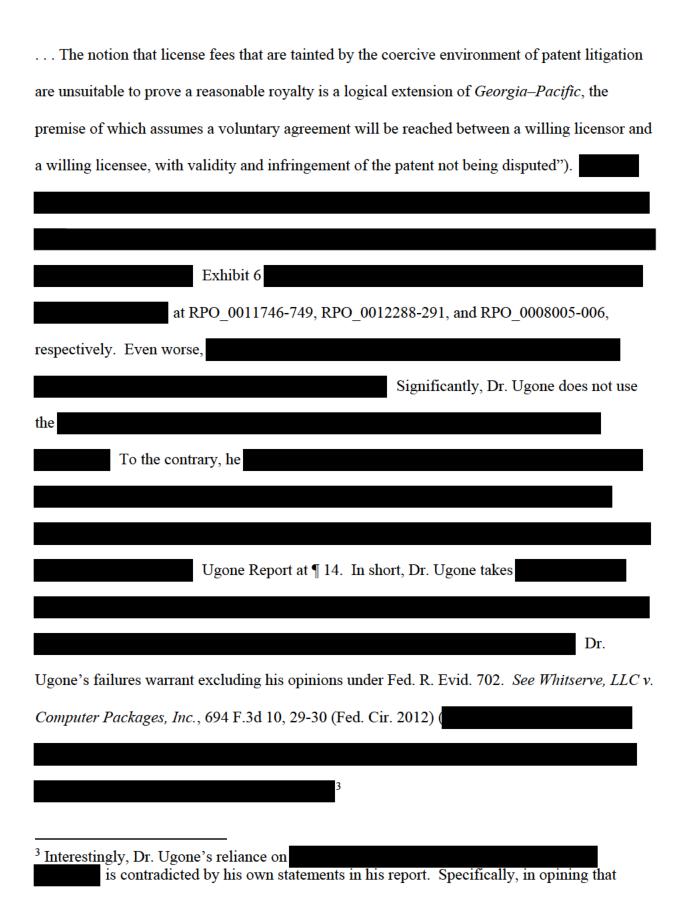
value of the patented technology to the parties in the marketplace when infringement began." *See LaserDynamics, Inc. v. Quanta Computer, Inc.*, 694 F.3d 51, 76 (Fed. Cir. 2012).

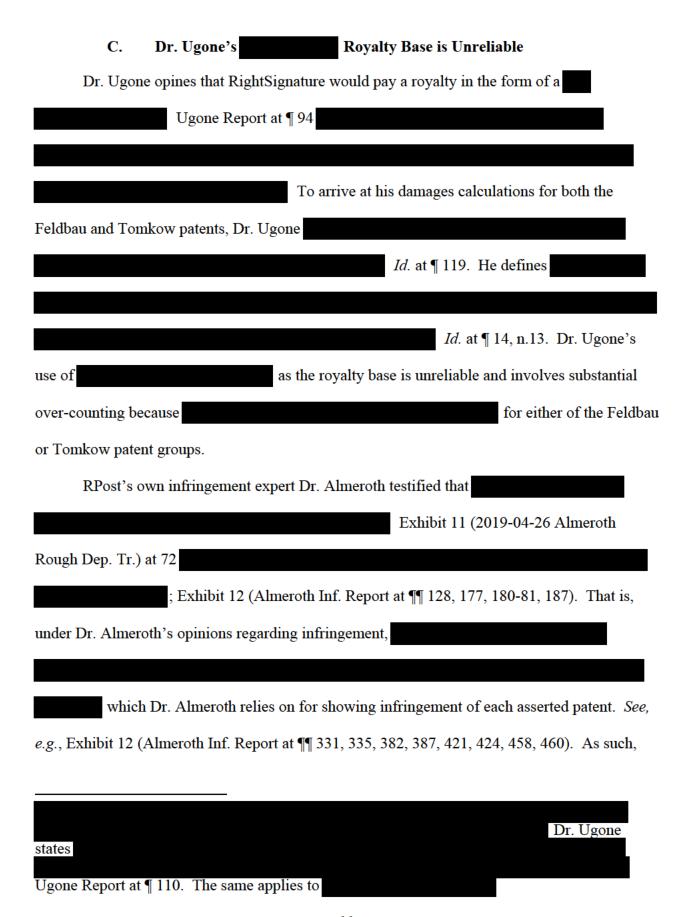
The error in Dr. Ugone's mistake is similar to that at issue in *Warsaw Orthopedic, Inc v. Nuvasive, Inc.*, 2016 WL 4536740 (S.D. Cal. June 15, 2016), which warranted exclusion of the expert's analysis. In that case, the asserted patent was previously owned by an individual named inventor, who later assigned his patent to a predecessor-in-interest of the plaintiff. *Id.* at *2-5. After determining that the correct patent owner at the time infringement began was the individual inventor, the district court granted defendants' motion to strike plaintiff's expert report because it failed to analyze the hypothetical negotiation from the named inventor's perspective. *Id.* at *5. Similarly, here Dr. Ugone should have analyzed the hypothetical negotiation with respect to the from the perspective of the patents in the perspective of the patents. *See id.*; *see also Opticurrent, LLC v. Power Integrations, Inc.*, No. 17-CV-03597-WHO, 2018 WL 6727826, at *8-9 (N.D. Cal. Dec. 21, 2018).

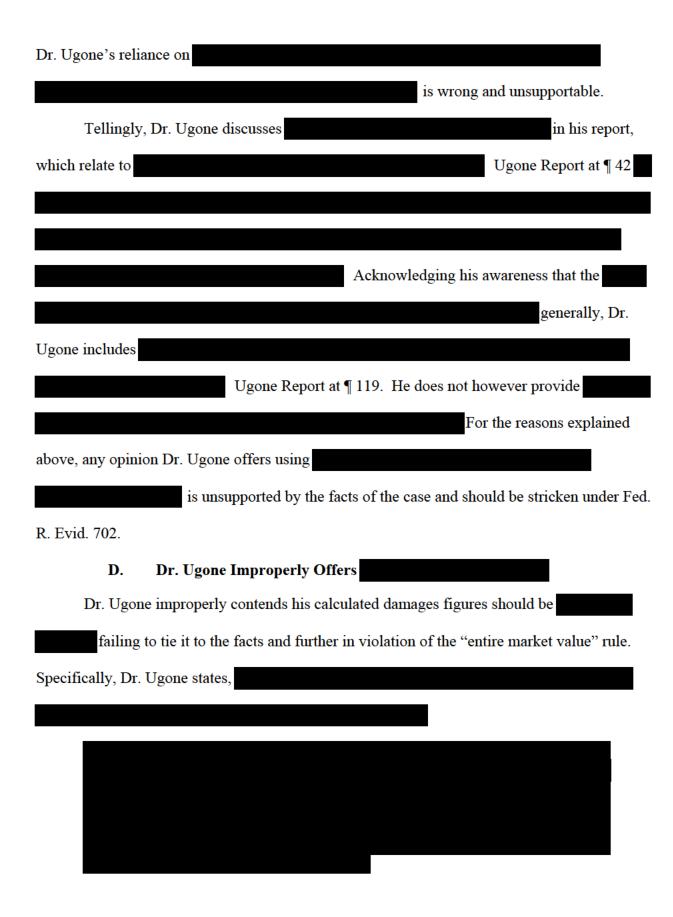
This distinction in negotiating parties is further critical because would obviously have been in a completely different bargaining position as compared to an unrelated entity having different attributes, interests, and considerations. And was in an entirely different bargaining position than See Exhibit 9 (Dep. Tr. of Zafar Khan, Vol. 1, March 25, 2013) at pp. 79:25-80:5. This is critical, because Dr. Ugone bases his opinion on

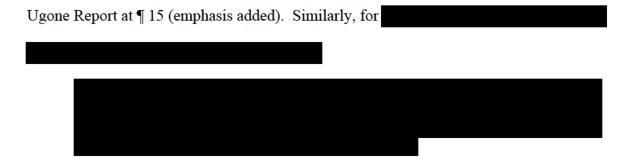












V. CONCLUSION

For the forgoing reasons, RightSignature respectfully requests that the Court exclude Dr. Ugone's opinions as detailed above.

Dated: April 29, 2019 Respectfully submitted,

By: /s/ David M. Barkan

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CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the above and foregoing document has been served on April 29, 2019, to all counsel of record who are deemed to have consented to electronic service via the Court's CM/ECF system per Local Rule CV-5(a)(3).

/s/ David M. Barkan
David M. Barkan

CERTIFICATE OF CONFERENCE

On April 27, 2019, counsel for ShareFile David Barkan conferred in person with Deb Coleman counsel for RPost around. ShareFile explained the basis of the motion, and RPost indicated that it disagreed with ShareFile's position.

/s/ David M. Barkan
David M. Barkan

CERTIFICATE OF AUTHORIZATION TO FILE UNDER SEAL

The undersigned hereby certifies that the foregoing document is authorized to be filed under seal pursuant to the March 26, 2013 Protective Order.

/s/ David M. Barkan
David M. Barkan